

Extending and Expanding Opportunities for Job Creation and Investment

OVERVIEW

- The Middle Class Tax Relief and Job Creation Act extends expensing (sometimes called 100 percent bonus depreciation) through 2012 to make it easier for employers, small and large, to invest now in new machinery and equipment, grow their businesses, and create jobs.

EXTENDING AND EXPANDING EXPENSING

- The Middle Class Tax Relief and Job Creation Act extends for an additional year, through 2012, the 100 percent depreciation allowance that is currently in effect for 2011.
- Additionally, the Act expands the current expensing provision in two ways.
 1. For 2012, the Act makes it easier for companies to claim AMT credits in lieu of bonus depreciation.
 2. For 2012, taxpayers that use the “percentage of completion method” of accounting can, for certain property, take into account the cost of the property, rather than the higher bonus depreciation amount.

BACKGROUND

In general, business taxpayers must depreciate the cost of capital assets over several years, with the exact period depending on the asset. In December 2010, as part of tax legislation that extended the 2001/2003 tax relief laws, Congress provided for expensing (100 percent bonus depreciation) for qualifying property purchased (and generally placed in service) between September 8, 2010, and December 31, 2011.

Also under current law, a corporation may elect to forgo bonus depreciation and instead claim unused AMT credits from tax years before January 1, 2006. However, several provisions limit the amount of unused AMT credits that may be claimed in any tax year. Finally, a taxpayer that uses the “percentage of completion” method of accounting generally must take into account income associated with a deduction at the time the deduction is taken.